

REPORT TO: Audit and Governance Committee

MEETING DATE: 24 January 2017

BY: Depute Chief Executive – Resources & People Services

SUBJECT: Internal Audit Report – Prevention of Tenancy Fraud

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on the Prevention of Tenancy Fraud.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan.

3 BACKGROUND

- 3.1 As part of the audit plan for 2016/17 a review was undertaken of the arrangements in place for the Prevention of Tenancy Fraud.
- 3.2 The main objective of the audit was to ensure that the internal controls in place were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None.

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

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DATE	12 January 2017

EAST LOTHIAN COUNCIL – INTERNAL AUDIT PREVENTION OF TENANCY FRAUD

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2016/17 a review was undertaken of the arrangements in place for the Prevention of Tenancy Fraud. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- A series of process maps are available on the Nimbus system covering succession, assignation and joint tenancy – the process maps are designed to assist staff with responsibility for managing tenancy changes.
- For the sample of cases examined where the tenancy had changed from a sole to joint tenancy, a clear audit trail was held on the Orchard system.

1.3 Areas with Scope for Improvement

- The existing documentation in place for managing tenancy changes due to succession requires review, including the staff guidance and checklist, leaflet to applicants and pro-forma letters. *Risk – an inconsistent approach may be adopted.*
- In a number of cases, applicants completing succession or assignation application forms had failed to provide appropriate supporting documentation to confirm residency. *Risk – inappropriate approval may be granted.*
- In a number of cases, there had been a failure by staff to complete the relevant checklists to confirm that applicants had met the necessary criteria, prior to consent being given for succession, assignation or joint tenancy. *Risk – inappropriate approval may be granted.*
- In some cases, there had been a failure to ensure that former tenancies had been properly terminated prior to new tenancies commencing, resulting in applicants being recorded as tenants for two separate properties on the Orchard system. *Risk – tenancy fraud may occur.*
- In two cases examined, there was a lack of evidence to confirm that an application form (for succession and joint tenancy) had been completed, while in other cases there had been a failure to complete key sections of the forms. *Risk – inappropriate approval may be granted.*
- The existing arrangements in place for the monitoring and reporting of sublet tenancies require review. *Risk – lack of a clear audit trail.*

1.4 Summary

Our review of the arrangements in place for the Prevention of Tenancy Fraud has identified a number of areas with scope for improvement. Detailed findings and recommendations are contained in our main audit report.

Mala Garden
Internal Audit Manager

January 2017

**EAST LOTHIAN COUNCIL – INTERNAL AUDIT
PREVENTION OF TENANCY FRAUD**

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.1	Management should review the documentation in place for managing tenancy changes due to succession, including the staff guidance and checklist, leaflet to applicants and pro-forma letters.	Medium	Service Manager – Community Housing	Agreed		March 2017
3.3.1	<p>Management should ensure that all applications for succession are supported by a fully completed ‘Succession to a Scottish Secure Tenancy’ Form.</p> <p>Management should ensure that relevant applicants provide the necessary evidence to confirm residency.</p> <p>Management should ensure that residency checks include home visits and verification checks to other records e.g. Council Tax and Electoral Register.</p> <p>Management should ensure that the reasons for tenancy changes are accurately recorded on the Orchard system.</p> <p>Where succession applications are pending a decision, Management should seek advice as to the options available to the Council to mitigate any rent loss.</p>	Medium	Service Manager – Community Housing	Agreed		February 2017

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.4.1	<p>Management should ensure that appropriate evidence is provided to confirm residency for all assignees.</p> <p>Management should ensure that the reasons for tenancy changes are accurately recorded on the Orchard system.</p>	Medium	Service Manager – Community Housing	Agreed		February 2017
3.5.1	<p>Management should ensure that an ‘Application for a Joint Tenancy’ Form is completed in all cases.</p> <p>Management should ensure that all former tenancies are properly terminated prior to new tenancies commencing.</p>	Medium	Service Manager – Community Housing	Agreed		February 2017
3.6.1	<p>Management should ensure that staff members fully complete the relevant checklists in place prior to consent being given for succession, assignation or joint tenancy.</p> <p>Management should ensure that periodic reviews are undertaken of tenancy changes. Evidence of the reviews should be held on file.</p>	Medium	Service Manager – Community Housing	Agreed		February 2017
3.7.1	<p>Management should review the existing arrangements in place for the monitoring and reporting of tenancies that have been sublet.</p>	Medium	Service Manager – Community Housing	Agreed		In Place

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.